

**WORK SESSION  
OF THE BRIGHAM CITY COUNCIL  
TO DISCUSS THE HORSE BUTTE WIND ENERGY PROJECT  
JULY 29, 2010  
5:30 P.M.**

PRESENT:	Dennis Fife	Mayor
	Bruce Christensen	Councilmember
	Scott Ericson	Councilmember
	Ruth Jensen	Councilmember
	Bob Marabella	Councilmember
	Tyler Vincent	Councilmember
ALSO PRESENT:	Dave Burnett	Director of Public Power
	Paul Larsen	Community & Economic Development Director
	Bruce Leonard	City Administrator
	Jason Roberts	Finance Director/Deputy City Recorder
	Jackie Coombs	UAMPS
	Nathan Barney	UAMPS Butte Wind Energy Project Manager

Mr. Nathan Hardy came forward and stated that the Horse Butte Wind Project is located approximately 15 miles east of Idaho Falls in Bonneville County. It is all private property and is mostly fallow agricultural land. UAMPS has about 15,500 acres under lease.

Mr. Hardy indicated on a graph the average wind rows. A lot of the wind for this project comes from the south and southwest. This means the windmills do not spend a lot of time yawing into the wind.

The Project Capacity Factor (CF%) is the percentage of time that energy is being generated. The gross capacity factor for all the windmills at the project site is 38.67%. This is netted down to accommodate for turbine availability, electrical losses, wake losses, turbine performance, and environmental issues. The total discount for this project is 14.61% for a net capacity factor of 33%. This provides a total energy production of 294,025 megawatts per hour (MWh) per year.

In the calendar year 2006 the average net CF% per month ranged from over 22% to 50%. The annual average capacity factor will be a culmination of these months. This year was 35%.

Another graph indicated the wind energy distribution by hour. Throughout the night, the average net CF% by hour is 40%. During the day it is closer to 30%. Compared to other projects, this fluctuation is relatively flat.

Mr. Hardy discussed environmental concerns. They have worked closely with the U.S. Fish and Wildlife and the Idaho Fish and Game to limit the impact on the environment and mitigate where needed. They are not a lot of laws they have to adhere to because it is on private ground, unless they find a species that are endangered, or have Bald or Golden Eagles, or birds under the Migratory Bird Treaty Act.

They have enough land permitted to do the first phase. They plan to go to the County in the next month to amend the permit to include the additional acreage. There is no environmental permitting required because it is on private land. They are required to have an FAA and Department of Defense permit. These will be submitted within the next few weeks.

Horse Butte is expected to be certified as a Western Renewable Energy Generation Information System (WREGIS) project, meaning the renewable attributes will be certified and will be marketable. The market based prices are driven by demand.

UAMPS is a municipal utility and therefore is not able to qualify on their own for federal cash grants that were included in the American Recovery and Reinvestment Act of 2009. They have gone through a process with their Citigroup partners to create a taxable entity whereby they can qualify for these tax grants and capture benefits of depreciation. Their partners will bring some equity to the table and help finance the project in exchange for a rate of return that will be fair and reasonable, probably between 8-10%. Based on their estimates for the cost of turbines, construction and development costs, a \$260 million project will provide

power for approximately \$70 per megawatt hour. Some of their partners in California are getting \$85/MWh delivered to their system.

Mr. Hardy gave a rate analysis for Brigham City (see attached). Mayor Fife expressed concern with the accuracy of the figures. Mr. Hardy said wind power is probably not going to reduce rates. It would be replacing a 70 MW with the City's PacifiCorp contract, which is currently pretty low. However, it would diversify the City's resources and it would be locally produced power. There are a number of reasons to pursue wind energy. If the City decides to do that, UAMPS is recommending their members pursue this project because it is a competitive project.

Another way to look at this is that PacifiCorp does not really want to be in the business of supplying wholesale power to customers such as Brigham City. There is a risk in the reliability of this supply. If sometime in the future PacifiCorp does not want to renew their contract, what will Brigham City replace that with? If the City considers a gas-powered plant, there will be construction and fuel costs. This Butte Wind Project would beat a gas plant.

Mr. Hardy reviewed some project implications. Assuming Brigham City takes 5MW of the 100MW project, the City would have a 5% entitlement share. Brigham City's commitment would be secured via a Power Sales Contract (PSC) with UAMPS. This is a life-of-the-project agreement and power sales project. UAMPS would own 100% of the assets and sell 100% of the output to the project participants on a take-or-pay basis. There is a rate covenant all the cities would make. He added that one MW would provide power for 750-1000 homes. The costs would be proportionate to the entitled shares. Brigham City would be responsible for 5% of the costs.

There will be three phases of financing. In a few months UAMPS will get construction financing. Following that there will be take-out financing for the commercial operation. UAMPS will issue bonds and it will be based on 99% of the output, which will be approximately 65% of the energy. They will prepay for that. This will be for an initial term of 20 years. In six years, UAMPS will have the option to buy back the project from the project company.

Beginning January 2012 when the project goes commercial, there will be a debt service cost. It is structured so all participants will pay for Tier 1 Energy, which is P99 energy, or a 99% certainty that the wind is going to blow. Anything above P99 will be other tiers of energy. Tier 2 Energy would be \$9/MWh; Tier 3 Energy would be \$3.60/MWh.

Brigham City would notify PacifiCorp that there is another delivery under their power sales contract. UAMPS and PacifiCorp would work together to schedule the entitlement share of the energy from the project. Everyday UAMPS will be forecasting the wind production and scheduling with PacifiCorp to serve a portion of Brigham City's load. Then UAMPS would bill Brigham City. The rate will be a direct function of the wind production and the debt obligation. Revenues may be created by making a bilateral transaction for the environmental attributes of RECs.

Councilmember Christensen asked if Mr. Hardy felt that PacifiCorp does not want to sell wholesale to Brigham City any more. He wondered if there would be a backlash when Brigham City tells them the City is going to get some power from a wind project. Mr. Hardy did not want to speculate on PacifiCorp's reaction. They have made it clear to him that they do not want to be in the wholesale business.

Councilmember Jensen asked about the possibility of UAMPS not getting the grant and if it is not awarded, could Brigham City get out of the contract. Mr. Hardy explained that when UAMPS signed the PPA with Citigroup, they are taking that risk. They would not be taking on this project if they saw that there was even a small risk.

Councilmember Christensen said he would like to know what the net impact would be to Brigham City citizens if it is decided to join this project in 2012, therefore reducing the power from PacifiCorp. Mr. Hardy said they would have to get some more assumptions to figure this impact.

Mayor Fife said a decision will need to be made fairly quickly. He asked the Council to write down any information they would like to see and then schedule another work session to determine how to move forward.

The meeting adjourned at 7:00 p.m.